

Structuralist Approaches to Social & Economic Development in the English Speaking Caribbean.

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Usual Disclaimers Apply.

Abstract: Theoretical Approaches to Social & Economic Development in the Caribbean

This is a *survey* essay surveying the early period of Caribbean Political Economy from WA Lewis' *Industrialization of the British West Indies (1949)* to Beckford's (1972) and, Best & Levitt's *Plantation Economy Models (1975)*. It emphasizes the structuralist origins of the body of knowledge and reunites it with the new structuralism of Jose Antonio Ocampo and the ECLAC perspective. Along the way the principal problems blocking progress towards growth and development in the English speaking Caribbean are laid out. The paper attempts to close a gap between structuralist theory from the Caribbean and that of the heterodox theory emanating from Europe and North America. Too often, these two heterodox traditions which ought to be informing each other end up talking past each other. The intent is twofold; first, to build a bridge between the two schools of thought and second, laying the building blocks for the generation of a policy capable of stopping the long term tendency towards stagnation.

Key words: economic growth; economic development, political economy.

JEL classification: O10; O54; P0.

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Introduction: Theoretical Underpinnings

This essay focuses on the Caribbean, those islands of the Caribbean Sea (and a few mainland countries in Central and South America).¹ It is a purely theoretical endeavor that aims to review the main contributions to a discipline with a relatively recent birth (circa 1950). On a map of the globe, the islands are represented as no more than dots. So, this then, is an essay in the political economy of dot islands. It is a theoretical effort in that it attempts to bring together various schools of thought emphasizing systems of ideas grounded in general principles (admittedly speculative), each purporting to tell a story explaining the absence of sustained economic growth and development. Theoretical models are designed with different outcomes in mind. Some purport to predict the outcomes of future circumstances; others are designed in order to explain why those very circumstances arise and still others are designed to explain how the system operates. It is at this third level, the explanation of how the system operates, that the Caribbean Political Economy (CPE) models of the early period (1949 – 1975) are directed.

I take the view that Caribbean Political Economy was born with the publication of *“Industrialization of The British West Indies”* in 1949. The middle part of the twentieth century (1949-75) represented the early period of CPE. I have selected Lewis’ *Industrialization and the Plantation* formulation of Beckford (1975), Best (1968) and Best and Levitt (1975) from this early period and the new structuralist ideas of Jose Ocampo (2000, 2002) for exposition and analysis.

Throughout this essay the emphasis is on “*structure.*” Structure is here defined after Taylor; “*An economy has structure if its institutions and the behavior of its members make some patterns of resource allocation and evolution substantially more likely than others. Economic analysis is structuralist when it takes these factors as the foundation stones for its theories.*” (Taylor: 1983; 1) Given the direction of the analysis the challenge laid down by the structuralist tradition is the generation of “... *a policy capable of stopping the long term tendency towards stagnation... which will have to assume a form of conscious and deliberate action to create structural relations and to induce patterns of behavior ...*” which are capable of begetting social processes that will necessarily result in economic development. (*ibid.* 109) All of the literature reviewed is in the Taylor sense structuralist. The intent is to unearth important levers of change which can be aimed at transforming the structure and structural relations of the system thereby altering patterns of resource allocation and the behavior of its agents.

The essay is arranged as follows; Section 1 reviews the contribution of WA Lewis, principally through his *Industrialization of the British West Indies (1949)*. The position adopted in this paper is that in many ways Lewis anticipates the structuralist analysis of the Latin Americans which was to follow. Section 2 outlines the main propositions of the *Plantation* theorists and ends with a brief review of the important ideas surrounding race, caste and class derived from plantation origins. In Section 3 the new structuralist ideas of Jose Ocampo and the Economic Commission on Latin America and the Caribbean are introduced. Section 4 serves as the conclusion.

There remains one last but important definitional matter to address. This essay purports to examine economic growth and development in the region. But what exactly is economic growth and economic development? In this essay, economic growth simply refers to the increase in goods and service produced on a year by year basis. Development is a far more ticklish phenomenon to define. In this essay, development is taken to be the increase in life chances of the population as relates to the populations access to adequate health care, education, leisure activity, material means etc. There is a general consensus amongst theorists which accepts that whilst there may be growth without development, there can be no development without economic growth.

Section 1.0 WA Lewis - Industrialization by Invitation (1949-1968)

1.1 Industrialization, Growth and Development

W. Arthur Lewis may have won the Nobel Prize for economics but it is possible to argue that that the scope and magnitude of his work on development in general (and Caribbean development in particular) has been under-recognized. Many of the issues and lines of analysis raised by Lewis 50 odd years ago reverberate in much of today's writings on growth and development.²

In the *Industrialization of the British West Indies (1949)*, Lewis proposes a program of rapid industrialization as a solution to the problems of over population and underemployment. The book is divided into three parts. *Part 1; The Need for Industrialization* establishes the need for such a program and sets out a structural complementarity between industry and agriculture in the process of growth. In *Part 2;*

Which Industries? Lewis discusses two key aspects of industrialization, markets and resources. He advances two central propositions of the Caribbean reality which then lead to the construction of a large but simple model for the evaluation the suitability of industries for Caribbean conditions. *Part 3; The Technique of Industrialization* turns to the marketing and institutional arrangements necessary for a successful program of industrialization in the British West Indies. Lewis makes the important differentiation between momentum – the rate of change in the velocity of growth - and growth itself. In particular Lewis is concerned with the circumstances which ignite the growth process. He is concerned with how the process starts and envisions a policy which sees the state aggressively marketing the islands as suitable locations for manufacturing via incentives, tax shelters and the like. It is this aspect of the work that has earned the “by invitation” tag, but it was an important cog in the whole Lewis approach.

In his model of growth it is clear that Lewis breaks with the neoclassical paradigm as soon as he employs an unlimited supply of labour assumption. In *Industrialization* there is a decisive break with the colonial design which assigns the West Indian islands to supplying raw materials and domiciling surplus labour. What helps to explain these departures is the fact that Lewis is a Classical Economist in the manner of Smith, Malthus, Mill, Ricardo and Marx. But unlike Ricardo and Marx, there are no great Laws of Motion. “*We do not believe that there are stages of development through which every society must pass, from primitive stages through feudalism to exchange economies.....All our prediction is on the much more pedestrian level of enquiring how far the changes*

which occurred in the wealthier countries as they developed may be expected to repeat themselves in poorer countries if they develop” (Lewis, 1955: 18).

In the hands of Lewis growth, - “*growth of output per head of population,*” means “*development*” (*ibid: 10*). The definition of output is restricted so as to apply solely to goods and services, “*economic*” output and not to more esoteric ideas like welfare, satisfaction or happiness. According to Lewis, the growth of output per head of population depends on the natural resources available and on human behavior. And in Lewis natural resources are a concern only insofar as they affect human behavior. “*Thus it is obvious that poverty of natural resources sets sharp limits to the growth of output per head, and that a considerable part of differences in wealth between countries has to be explained in terms of richness of resources, so it is necessary to enquire into differences in human behavior which influence economic growth*” (*ibid: 11*). For Lewis this enquiry into human actions has to be conducted at different levels, because there are proximate causes of growth, as well as “*causes of these causes.*”³

1.2 Lewis’ Case for Industrialization

Central to the analysis were two important propositions. First, for the islands to support a large manufacturing base the standard of living and the level of development must be raised. The key in such a program was to be a reduction of the numbers of people engaged in agriculture on a per acre basis (without reducing output per head). But in Lewis this is only possible if more persons are engaged in the industrial sector. “*Thus the full complementarity of industry and agriculture stands revealed. If agriculture is going to give a higher standard of living, then industry must be developed. But equally, if*

industry is to be developed then agriculture must be give a higher standard of living in order to provide demand for manufactures. The agricultural and the industrial revolutions, thus reinforce each other, and neither can go very far unless the other is occurring at the same time.” (ibid; 16) Second, because home demand for manufacturing products was/is weak a vigorous program of exports would have to be an integral part of the program. According to Lewis, such circumstances are not unusual. All countries with surplus population at a reasonable standard of living are forced to export manufactures and import food. When countries are rich in natural resource endowment they can reasonably aspire to be self-sufficient. But absence of natural resources usually means that countries are compelled to export manufactures and import food. In actuality there is an indirect exchange of manufactures for food in world import and export markets. Furthermore, according to Lewis the local market for most manufactured commodities was too small to support production on an economic scale. Again exports emerge as a critical link in the industrialization strategy. If local demand is insufficient then it must be supported by international demand through the export market.

In Lewis; *“The first essential to any vigorous industrialization is a customs union....it is idle to talk about making a serious effort at industrialization until the whole area is brought within a single customs union.” (ibid: 30)* A customs union was necessary because it allowed the prospective industrialist to treat the whole region as a single entity. It could not help to establish operations in Trinidad, if a few months later Jamaica was going to give tariff protection to a competing plant.

In that Lewis could contemplate a future for the West Indies other than an agricultural one, it demonstrated that he had decisively broken with the colonial vision. The fact that Lewis contemplated a future for the West Indies in which the islands competed for export share of manufactures in the home market of the world's greatest manufacturing flew in the face of the established orthodoxy. The international division of labour would see to it that the developing countries would specialize in areas in which they had a relative advantage – light industries.

Growth (Lewis argued) once started would gather its own momentum but the exceedingly difficult part was getting it started. There existed a “*gregariousness of industry*” which meant that industries moved in packs. A location in which no other industry is located is unattractive for industries looking for a home. Prospective investors would not want to place plant and equipment in the islands where no such tradition of such existed. So Government was required to provide palatable inducements by means of tax holidays and other incentives. Government too, was expected to supply the buildings and infrastructure that the prospective investor would require. In short, Lewis advocated an activist state which provided the framework conditions for prospective investors. Prospective investors did not want to locate their plant in the West Indies and it was therefore up to Government to invite and encourage them to do so. ⁴

In other sets of circumstances, an activist government was required because no other agent or institution could bring about the required changes. For instance, profitability in an industry is largely determined by the level of wages, however, it may well be in the

national interest to establish an industry even if it is unprofitable. There are at least two cases where such reasoning can be applied. In the first case (the infant industry case), the standard wage is subsidized in its early life and as the industry comes to maturity such subsidies are withdrawn. According to Lewis, we ought to expect low profitability in industry as agricultural territories move to industrialization. The skills needed in industry are different from those required in agriculture. They have to be learned and in this learning period productivity and profitability will be sluggish. In time as the new skills are acquired and more industrial experience obtained the industry becomes profitable. This again speaks to the issue of momentum and getting growth started. The second case in which an industry may be desirable even when it is unprofitable is the case in which the only alternative is unemployment. In this circumstance, “... *it is worth employing a man so long as the value of what he produces exceeds the cost of the raw materials, machinery and other services which cooperate with him in production. So long as the net value exceeds zero employing him adds something to the national income.*” (*ibid*: 42-43) But private enterprise will not (it cannot) employ labour unless this net value exceeds the wage. Here again, an activist government was required. Industrialization therefore, could not be left to private capital.

For Lewis, industrialization demanded positive and intelligent action by governments. The action lay primarily in developing institutions which supported the industrialization effort. In particular, Lewis called for the establishment of an Industrial Development Corporation (IDC) and an Industrial Development Bank (IDB). Both were conceived as regional institutions and the function of the IDC was to promote the islands as a suitable

location for industry by offering incentives and inducements. It was in effect the “marketing” thrust of the industrialization effort.

In order for industrialization to take place foreign capital and capitalists would be necessary. So in the circumstances (with numerous alternative choices) foreign capital would have to be “*wooed and courted*”. But this did not mean that the foreign capitalist could do anything that he wanted to do. The policy of inducements and incentives did not necessarily have to conflict with the protection of legitimate sovereign interests. In any event, for Lewis “... *foreign capital is much less dangerous in manufacturing industry than it is in agriculture or mining. The effect of bringing in foreign capital is to increase the national income, and, if the local people are thrifty, they can build up savings which in due course enable them , having learnt the tricks of the trade , to set up in business themselves. They cannot do this in agriculture or in mining if all the local natural resources have been signed away...*” (*ibid*; 39) In short, there is much less danger to sovereignty from foreign capital in manufactures than in agriculture and mining.

For industry to be successful in the islands it would have to be located in very few places. Here a ticklish problem arises. If all the islands were expected to make a sacrifice in order to kick start growth, it followed that they should all share in the benefits. The foremost benefit being employment opportunities. If the markets of the Windward Islands were to be reserved for the industrialist in Jamaica, then the surplus labour of the Windwards must have the right to seek employment in Jamaica. So apart from the free movement of goods, industrialization requires the free movement of people.⁵

2.0 Plantation Economy and Dependency (1968-1979)

2.1 Beckford, Best and Levitt

George Beckford (1972), Lloyd Best (1968), and Best and Levitt (1975) represent the major articulation of dependency and underdevelopment thesis of the Plantation Economy school of thought. Norman Girvan (1975, 1991) emphasizes the reproduction of races and class structures leading to a flawed notion of independence.

Beckford emphasized the institutional setting, the mode of production and social relations of the plantation. These were the most important variables in his plantation analysis. *“Underdevelopment derives from the institutional environment – the nature of economic, social and political organization. Not surprising because it’s through institutions that human activity is organized.”*(1972; 9) Borrowing from Furtado and the other Latin American structuralists, plantation writers placed emphasis on the notion that historical forces determine the institutional environment. Key institutional features impose particular structural constraints which limit the possibilities for growth and development. The institutional features help to explain the relative stagnation. Such structural constraints derive from the plantation legacy.

Best (1968) and Best and Kari Levitt (1975) emphasized the reproduction of dependency and disarticulation – through different historical epochs – in the plantation dominated economy of the colonial epoch. Key in the construct is the notion that the historical

circumstances generated “institutional and neocolonial trade linkages” which propelled the plantation economy towards stagnation.

3.2 Beckford's Plantation Economy

For Beckford (1972) the key to an understanding the plantation economy lies in the fact that it is (from the very start), an extension of the metropolitan capitalist economy. The Plantation Economy is a theoretical construct (derived from historical circumstances) where “*internal and external*” factors ... “*dominate the country's economic, social, and political structure and its relations with the rest of the world*” (1972: 12). The quasi-proletariat, the quasi-peasantry and the quasi-bourgeoisie are all creations of the plantation export sector. In particular the post slavery peasant sector was viewed as a sub sector within the general framework of the plantation. Further, “*In most of the countries in which plantations are important they co-exist with peasant producers who normally are engaged in farming cash crops (sometimes the same crop as the plantation) in addition to providing for their own subsistence. These peasant farmers are affected by the plantations in at least two important ways: competition for land and other resources and the provision of wage work on plantations to supplement their incomes from the main pre-occupation of farming on their own account* (1972; 13). As the peasant sector emerges the social structure of these societies is modified and defines the relative failure of the plantation system. According to Green, “*...The extent to which the growth of a peasantry interrupted, compromised or even aborted the hegemony of the plantation system became the major criterion differentiating the post slavery economies of the Anglophone Caribbean, so that while some territories remained essentially ‘pure*

plantation economies', others became essentially '**dual economies**' under varying degrees of plantation hegemony" (in Meeks and Lindahl: pp 46-47, 2001, my emphasis).

Decision making is highly centralized business and the pattern of management organization is authoritarian. Workers and decision makers are separated by social and cultural differences. "Authority and control are inherent in the system." Further the plantation is geographically isolated and so those who live within its boundaries cannot easily enjoy interaction with the outside world. Because of this isolation, "people living and working on a plantation make up a distinct community which derives its full flavor from the system itself." Thus, in addition to being a system of production, the plantation is a community. And as the community exists because of the unit of production the resulting social structure and pattern of interpersonal relations reflects the type of economic organization that governs production. The authority structure that characterizes the pattern of economic organization extends to social relationships and what is left is a "...inherently rigid system of social stratification..." normally with Europeans as owners or managers at the top, culturally mixed skilled personnel in the middle and culturally different (black) unskilled laborers at the bottom (Beckford, 1972, 53-54). The predominant social characteristics of all plantations areas of the world is the existence of a class – caste system based on differences in the racial origins of plantation workers on the one hand and owners on the other. Race was thus a convenient means of controlling labour. (ibid 67)⁶

In this formulation the word “system” refers to the “... *set of relations governing the component parts that make up the whole. In any such network of relations there is a coming together of the component parts at some point for some common purpose. It is this organization that makes the set of relations a system. The institution which provides the organization gives character to the whole – the system.*” (Beckford; 1972, 9) RT Smith in the original application of the Goffman concept of “total institution” to plantation society describes it as a bureaucratically organized system in which blocks of people are treated as units and are marched through a set of regimentation under the close surveillance of the small supervisory staff.⁷ From the outset the plantation was designed as a unit of authority with control over all aspects of the lives of people within its territory. Heavily reliant on immigrant labour of different ethnic and cultural origins the plantation also provided “*the locus of rules of accommodation between different groups.*” What results is a power structure which bequeaths to the plantation “...*all or many of the characteristics of a small state with a classification of people into different statuses together with a formal definition of the relationship between them...the institution affords the very means of survival. Everyone owes their existence to the plantation.*” To rebel is tantamount to biting the hand that feeds.

Because the plantation is but an extension - overseas economy – reinvestment in the social infrastructure which would extend the internal linkages (backward and forward) and enhance the reproduction of capital, labour and internal consumer markets are all absent. The plantation is therefore tied to the capitalism of the center in a dependent manner which blocks the development and reproduction of any independent mode of production. The domestic mode of production and its reproduction stand facing the

enclave-capitalist sector(s) in sharp antagonism (*Meeks and Lindhal: ibid, 49*). Here, there is much more than class struggle. There is national-racial-class struggle.

2.3 The Best-Levitt Plantation Economy Models (PEM)

Best (1968) and Best and Levitt (1975) share common ground with Beckford (1972) in that the plantation is defined by the domination of a “hinterland” by transnational corporations of the countries at the center of world capitalism. This approach differentiates between three types of analytical “*hinterland.*”

- Hinterland of Conquest
- Hinterland of Settlement
- Hinterland of Exploitation

Conquest hinterlands were those associated with Spain, Andean America and New Spain. Settlement hinterlands would be those of the Middle Colonies of the United States. The exploitation hinterlands apply to the Caribbean Plantation Economy’s. Exploitation hinterlands are a direct extension of the economy of the center, the *raison d’etre* is to produce a staple required for metropole consumption and for trade to third countries. The Best-Levitt model sought to isolate the institutional structures and constraints which the contemporary Caribbean economy had inherited from its plantation legacy. “*The historical stages which underlie the models are to be seen in the contemporary perspective of successive layers of inherited structures and mechanisms which condition the possibilities of transformation of the present economy.*”

In this theoretical construct, the authors allow for a diversification of the PEM with a differentiation between the island and mainland hinterland, closed and open hinterlands. Each case represents a different level of autonomy for the *residential* (domestic) sector. The emphasis is on the case where new staples are developed in the hinterland by metropolitan corporations. Here the post war experience of Jamaica, Guyana and Suriname (bauxite) and Trinidad and Tobago (petroleum) provide the concrete examples. *“The result is a reinforcing of traditional economic and social structures of dependency, a ratooning of the old plantation relationships, both external and internal. It follows that structural transformation requires, as a precondition, the dismantling of the corporate mercantile links between the hinterland and the metropole.”* (Best and Levitt, 1975, p.38)

In this formulation the key to understanding the inner workings of the plantation economy lies in a proper appreciation of its origins. The authors argue that the plantation hinterland was crafted first in the mercantilist epoch. As such four rules of the game apply:

- The Muscovado Bias
- Navigation Provision
- Metropolitan Exchange Standard
- Imperial Preference

These four rules confine the PE to:

- a) Terminal activity (primary production and/or the distribution of consumer goods).⁸
- b) Advanced local processing of staple export products.

For the center the rules ensure a supply of raw material transported exclusively by its own carriers. In a dubious ruse the hinterland's currency is backed at a fixed exchange rate which facilitates center/periphery trade erected on a mutual system of preferences.

Ultimately the staple cycle will assert itself. The cycle will see the specific line of extraction develop through successive stages from infancy, to youth, to maturity and eventually to senior citizen status and decline. With decline the system may collapse as the TNC moves to new sources in other locations. The extent and type of transformation which follows depends in the first place on whether or not the traditional mercantile ties are severed. With regard to the island hinterland the most likely outcome is a military intervention which restores order and props up the system.

Alternately, the country may break with the existing metropolitan power. Such a country may however be forced into a new quasi – metropolitan relationship even when ownership of the traditional export sector is fully localized. When no new metropolitan ties are formed, the country ceases, by definition, to be a hinterland. Options are still open. But the country may or may not participate widely in international trade and it may or may not stagnate. There are four main scenarios:

Old metropolitan ties are cut, but the traditional export sector is maintained intact. The country which breaks traditional metropolitan ties may be forced into a new quasi-metropolitan relationship in order to solve the problem of marketing the export staple – or in order to protect the country's continued existence as a politically independent entity

(Cuba and the Soviet Union). The new quasi – metropolitan bilateral relations restricts the freedom which the economy enjoys on account of having localized ownership of the traditional sector. Allocation of land and labour continue to be biased towards the requirements of the export staple.

Old metropolitan ties are cut and the traditional export sector disintegrates. The traditional export sector is dismantled, ownership is localized and old metropolitan ties are cut. The economy is closed with respect to the metropole. Haiti is a good example of a country which won political independence from the metropole, ceased to be hinterland and has existed in a state of chronic stagnation ever since.

Metropolitan ties are maintained or restored and a quasi-staple is developed. In an island hinterland which leaves its institutional base unaltered but does not discover a new major staple when the old staple economy breaks down, the only resources available are location and cheap labour. If these resources can be employed to establish quasi-staples it remains in the interest of the metropole to keep the hinterland passively incorporated in its overseas economy. The quasi staple economy specializes in finishing touch assembly manufacturing, tourism, and the provision of labour to the metropole by emigration. The more extreme case of a quasi-staple economy is Puerto Rico. Barbados and Antigua can be characterized as quasi-staple economies. The sector is mobilized to service tourism and export manufactures. In such an economy local initiatives are severely limited and the wage bill of the sector is the main contribution to the national economy. Such economies are particularly open to metropolitan cultural phenomenon.

Metropolitan ties are maintained and reinforced by the entry of a new staple. In the event that the economy is salvaged by the discovery of a new major staple, a fresh cycle of expansion and production begins. Income grows and the economy is pressed into perpetuation of its traditional role. The new staple sector enters a hinterland system whose plantation heritage imposes continuation of the old structures on the new activity. The terms on which bauxite staple entered the economies of Jamaica, Guyana, and Suriname and the oil industry of Trinidad have reinforced the structures of the plantation economy.

It is this last case that Best and Levitt focus on. Here, “...*The new staple exporting hinterland subsidiaries are direct offshoots of advanced, modern multinational corporations*” (Green: *ibid.* 55). As such they are capital and technology intensive with few jobs being generated by their activities. As a result of an absence of political will together with the powerful institutional constraints the plantation legacy is unchallenged and the government is forced into a variant of Lewis’ “*industrialization by invitation*” relying on borrowing and financial concessions. The result is a domestic sector engaging in *import replacement* as opposed to *import displacement* (*ibid.*). According to the co authors the employment generating capabilities of these import substituting activities are scant with an even scantier contribution to the national purse. As the local economy continues to engage in terminal activity local entrepreneurship is constrained by the disproportionate space occupied by the TNC which thus, prevents the emergence of a truly capitalist class. The fundamental conclusion is that “... *structural transformation is*

not possible without breaking the traditional plantation patterns” (Best and Levitt; 1975, 57).

2.4 Norman Girvan and the Political Economy of Race and Class

Girvan is best known for his work on the extractive mineral sector. However, his *1975 Aspects of the Political Economy of Race in the Caribbean and the Americas* represents an authoritative analysis of class relations in the colonial environment. His is a comparative analysis in which there is a clear differentiation between colonies of settlement and colonies of exploitation and conquest. In the settlement case, the economic and class systems of Marx’s classical capitalism are reproduced. What is different is that the physical integration of the plantation hinterland into the new centre(s) of world capitalism helps to create an *internal* as opposed to external colonialism. Perhaps the most controversial of Girvan’s claims is that the white labour of the marginalized population of the internal colony was *proletarianized*, whereas black and non white labour was *lumpenproletarianized*. Facilitating this process was the ideology of racism (Girvan; 1991, 17).

In Girvan, class is *over-determined* (as per Althusser) by a racial/economic segmentation (Green; *ibid*, 59). The conclusion is that white labour is significantly differentiated from the Black African and Native American labour with respect to socioeconomic status. Girvan amplifies: “...*In the first place it was free labour – more properly wage labour – rather than slave labour; and in the second place it had a high degree of ethnic and cultural similarity with the employer class. This had important implications for the*

*nature of the ideology which was to be established. Ethnic-cultural similarity meant that it was not feasible to use a racist ideology as a means of social control; a regime of wage-labour meant that this was in any case not necessary. Indeed, so far as the white community was concerned, the required ideology was precisely the opposite of one which taught that membership of the labouring group automatically condemned one to permanent underdog status; i.e. – it was necessary to establish the ideology that any white worker, no matter how poor, illiterate and unskilled he might be, could by his own efforts achieve middle – class and big capitalist status. For by promoting the belief in the possibilities for vertical mobility for the whites – of which the United States represents the fullest development – the class struggle could be dampened and the European migrants could be persuaded to accept the consolidation of national bourgeoisies in these countries (Girvan; 1991, pp9-10; in Green, *ibid.*)*

This then was *structural* racism and it guaranteed the unlimited supply of cheap and unskilled labour. And because ... “whites never had the experience of being a subjugated race ... the struggles of white people against white capital would have a class content only” (*ibid.*). According to Girvan, the class relations among the white population were significantly mitigated by white nationalism which permitted a cross class racial unity. This white nationalism induced a dialectical black nationalism in the form of Garveyism (circa. 1919). Girvan continues; “*The reproductive propensities of the socio-economic structure along racial lines are further confirmed by the pattern of immigration into these societies in the 19th and early 20th centuries. Those European migrants [who] did end up in these societies tended to be rapidly absorbed into the warm embrace of the ruling*

classes, typically through the route of commercial and matrimonial activity...on the other hand, non white immigration to these societies, principally from Asia, came in at the bottom. It took the form of indentured labour to do low paid, unskilled work on the plantations, which native Indians or Black labour could not be induced to do” (Girvan; 18).

Girvan posits that in the post 1930 period with the intense anti colonial struggles there has been a “selective” social advancement of non whites. Thus, there is an appearance of a so called non white bourgeoisie which loosens the very tight correlation between race and the occupational status which previously existed (*ibid.* 25-26). The formation of a non white bourgeoisie does not constitute a fundamental break with the previous socio-economic order. Rather, it represents a modification which facilitates the substantial reinforcement of its content on both a “*structural and ideological level*” (*ibid.*29). Nothing much has changed.

Section 3.0 The Economic Commission on Latin American and the Caribbean (ECLAC) New “Structuralist” Approach (2000-Present)

3.1 Structural Dynamics in The New Structuralist Approach.

The contemporary ECLAC structuralist approach is best articulated by Ocampo (2002, 2003). In Ocampo’s view growth and development are both tied to the *dynamics of production structures* and to specific policies and institutions created to support it. In particular the growth and development process is most dependent on those institutions which enhance “...*the diffusion of innovations generated in the industrialized world (including, in particular, the development of new branches of production), and the*

*creation of linkages among domestic firms and sectors.” (2003; 2) Also critical in the process is the avoidance macroeconomic instability. Instability here is understood in a broad sense that includes not only high inflation and unsustainable fiscal imbalances, “...but also sharp business cycles, volatile relative prices, unsustainable current account disequilibria and risky private sector balance sheets.” (ibid) Critical in this formulation is the notion that macroeconomic stability is an important but not a sufficient condition for growth. The wider institutional setting and the adequate provision of education and infrastructure are essential “*framework conditions*” but in general play no direct role in bringing about changes in the momentum/rate of economic growth.*

The first major thrust in the analysis is the differentiation between those factors that play a *direct* role in generating changes in the rate of growth from those that are essential for growth to take place, but play only an *indirect* role in determining changes in the rate of growth. In the related literature these framework type conditions fix on;

- Stability in the social contract
- A non discretionary system of legal provisions and customs that guarantees the security of contracts
- An impartial and efficient state bureaucracy

These appear to be the framework conditions. As such they do not play a direct role in the causation of changes in the rate of economic growth.

In the Ocampo analysis a second methodological issue arises which relates to the fact that a regular characteristic of economic growth is the simultaneous movement of a series of economic variables, “...*improved technology, human capital accumulation, investment, savings, and systematic changes in production structures.*” (ibid; 4) Ocampo emphasizes the Kaldor-Verdoon Law and casts productivity growth as the result of dynamic economic growth, a causal link which is exactly the opposite of the neoclassical causality as in Solow (1956 and 2000). Thus growth analysis becomes the dis-entangling of cause and effect, leading and lagging variables.

The central theme of the paper is that the *dynamics of production structures are the root cause of changes in the momentum of economic growth. The dynamics interact with macroeconomic balances and generate positive feed backs that result in a virtuous circle of rapid economic growth or, alternatively “growth traps.”* Successful development then emerges as being the ability to ceaselessly generate new dynamic activities. Thus, growth is viewed as a “*meso-economic*” process determined by the dynamics of production structures. In Ocampo the concept of a production structure summarizes:

- the evolution of the sectoral composition of production
- intra and inter sectoral linkages
- market structures
- factor markets
- the institutional setting

“Dynamic microeconomic changes are the basic building blocks but it is the system wide changes which matters most.” (2003; 13) But what is it that gives the production structure its dynamic features? Ocampo gives a three pronged answer. Firstly, innovations meaning *“...new activities and new ways of doing previous activities and the generalized associated learning process which characterizes the maturation of a new product.” (ibid; 13)* Second, complementarities – *“among firms and production activities and the institutions which support them all” (ibid).* And third the critical assumption in the whole conceptualization is that of *elastic factor supplies* for innovative activities. This assumption ensures that the full effects of the dynamic processes play themselves out. *(ibid; 14)*

In developing countries generally and in particular in the small island economies of the Caribbean, innovations are primarily associated with the spread of new products. In effect these innovations amount to technologies and organizational or commercial strategies previously developed in the industrial centers. For the poor countries of the South the industrial countries innovations represent “moving targets” which generate windows of opportunity *(Perez, 2001)*. Extraordinary profits are usually absent and production usually involves entry into mature activities with thin profit margins. *“Thus entry costs are not associated with the development of know how, but instead with the process of acquiring, mastering and adapting it. Additional entry costs are associated with marketing information , building a reputation, capitalizing on opportunities to reduce costs in order to being in a position to break into established production and marketing channels. Entry costs may turn out to be prohibitive for new firms, in this case the*

possibilities open to developing countries will be limited to attracting established multinationals that are searching for new places to locate their production.”

When viewed in this manner “innovations” in developing countries and specifically small island economies represent the transfer of sectors from the industrial world. So climbing up the ladder in the world hierarchy entails shortening transfer periods and gradually becoming a more active participant in the generation of technology. (*Ocampo; 2003, 16*)

Complementarities have both demand and supply effects. According to Ocampo the demand effects are part of the Keynesian multiplier mechanism. If they are absent the Keynesian type leakages could well be large.⁹ Thus, “...*the strength or weakness of the complementarities is an essential structural determinant of macroeconomic multipliers. This together with the association between the rate of investment and innovations, are two essential links between economic structures and macroeconomic performance.*” (*ibid; 20*)

Supply effects are associated with the positive externalities that agents generate amongst each other in terms of costs reductions in production or lower transport and transactions costs or through the induced provision of specialized inputs or services (economies of specialization). Ocampo calls these positive effects *economies of agglomeration*. These are strategic complementarities and they are the basis of what Ocampo calls the *mesoeconomic* dynamic economies of scale which in turn determine the competitiveness

of production activities. Under these circumstances competitiveness is more of a system wide feature than a microeconomic objective.

In open economies, the demand links may be encouraged by protection.¹⁰ But non-tradable inputs cannot be imported and so their efficient provision plays a critical role in determining the overall competitiveness of the system. Three non tradable activities are critical in these circumstances. First those activities that help to produce specialized inputs and services (knowledge, logistics, and marketing services). Second, the development of specialized financial services especially those which are important for funding innovative processes. The third is the provision of adequate infrastructure.

3.2 Structural Heterogeneity and Elastic Factor Supplies

The whole formulation rests on the very critical assumption of elastic factor supplies. If innovation and complementarity are to generate strong growth effects inputs have to be mobile between activities and location. With respect to the labour input in small countries *Ocampo (2002)* writes: “*Smaller economies are especially vulnerable to structural shocks, and adjustments have a particularly strong impact on domestic labour markets... Promoting greater international labour mobility is thus a clear priority for smaller economies. On the other hand, the diseconomies of scale characteristic of labour markets in small economies indicate that firms must look at regional or even international markets to find the required labour skills. This represents an additional argument for greater international labour mobility.*”

Schumpeter (1961) emphasized the elastic supply of capital as an essential variable promoting the positive effects of innovations on economic growth. We know from the literature that elastic factor supplies can be guaranteed in several ways. But in the small island developing country an elastic labour supply is guaranteed by *structural heterogeneity*, (the coexistence of high and low productivity sectors). Low productivity activities, characterized by a considerable element of underemployment act as a residual sector that supplies the labour required when there is a surge in economic growth. At other times when employment opportunities in the dynamic high productivity sector are absent such activities function so as to absorb the surplus labour. Ocampo argues here that “...differentiation made in dualistic models between “traditional” and “modern” sectors is inappropriate when describing the developing world, as the corresponding structure is more complex, and low productivity activities are constantly being created anew to absorb excess labour, a fact that makes the label traditional entirely inadequate.”¹¹ (Ocampo 2003, 22).

As discussed by Ros (2000, ch.3, cited in Ocampo 2003), three features are necessary to guarantee an elastic labour supply for high productivity activities:

1. low capital requirements in low productivity activities¹²
2. competition between these activities and high productivity sectors in the provision of certain goods and services¹³
3. a wage premium in high productivity activities associated with the preeminence of efficiency wages in these sectors.

Further, this concept of elastic factor supplies can just as easily be applied to natural resources and infrastructure. The “*vent for surplus*” models provide similar adjustment mechanisms. The increased productivity accompanying economic growth is the result of the exploitation of previously idle resources. And because of the substantial indivisibilities which characterize infrastructure, major projects may spread their benefits over extended periods.

“Structural heterogeneity implies that the dynamism generated by innovative activities and the strength of the linkages they generate determine the efficiency with which the aggregate labour force is used i.e., the extent of the labour underemployment (as well as the underemployment of other factors of production, particularly land). At the aggregate level, this process gives rise to Kaldorian growth productivity links of similar characteristics, but additional to the microeconomic and mesoeconomic dynamic economies of scale associated with learning and the development of strategic complementarities.” (2003, a; 23).

Section 4.0 Conclusion

4.1 Theory, Policy and Practice

This essay has emphasized the influence of structuralist thought in the early period of Caribbean Political Economy and sets it alongside a more contemporary structuralist approach. Section 1 outlines the main ideas contained in Lewis’ *labour intensive export – led industrialization* of the 1949 work. In Section 2, the main features of the plantation as a mode of production were elaborated, and Section 3 attempts to unite the previous

sections with contemporary structuralist thought on the subject. This final section serves as our conclusion.

Many an economist trained in North Atlantic countries in the post 1980 era, after reading this attempt at synthesis and summary of the main ideas in CPE, would in all probability ask – where is the economics? From there such an economist would perhaps go on to critique this early period of CPE for its lack of rigor, the absence of mathematical formalism and perhaps its plain simple wrong headedness. I would like to address this issue because I believe it to be an important one in the context of the preceding discussion, which I have said attempts to unite the structuralism of Caribbean scholars (in their own words, with their own voices) with the more contemporary analysis of Ocampo, Taylor, Ros, Amsden, etc. In a sense this essay tries to build a bridge between theory from the periphery and the theory emanating from the center.

As a general rule, theoretical approaches to Caribbean economic development are construed in two axiomatic ways. Firstly as a *derivative* of historical problems and secondly, more *directly* within the context of the colonial experience and New World social formations (*Green; 40; 2001*). Under the first, history is subordinated to universal theory and under the second, theory is custom built to fit specific history. The universalizing paradigms emanate from the center and tend to operate in hegemonic ways when employed in the analysis of peripheral formations. Both Classical Marxian Thought and the Neo-Classicals seek universal truths which posit the center countries of Europe as an *ideal type* and the ultimate goal of development. Here, colonialism, imperialism and

race and their impact on political economy at the center and periphery are elided. The specifying paradigms primarily emanate from the periphery. They focus on history, thus racism and dependency are central in the formulations.

Theory and practice are linked in that what results from these axiomatic starting points is that two schools of thought that *ought* to be informing each other end up talking past each other. European and American Marxian scholars critique Caribbean and Latin American (CLA) scholars on the above stated grounds without ever truly engaging the history with which the CLA theoretician grapples. The critique prompts a knee jerk reaction from the latter – “...*here I am struggling with urgent and complex historical problems and here you come talking about abstract modes of production*” (Foster-Carter; 1978). Beckford is much more strident and unapologetic, “... *I do not mind being charged with over-generalization and under-documentation. This is an ‘ideas’ book. What we need most are studies pregnant with ideas, not studies full of sterile detail. Ideas are what help people to understand problems and to pursue further inquiry*” (Beckford; 1972, v, original emphasis). Beckford saw himself as a “peoples” scholar attempting to mobilize popular opinion in order to effect change.

4.2 The Lewis Model

In this paper, Lewis’ *industrialization by invitation* is defined as *labour intensive export – led industrialization*. From this essay’s point of view the value of Lewis’ work lies in an evaluation of his program in terms of its ability to create jobs for territories with a “surplus population.” This after all is his intent (Lewis; 1, 1949). In the 1950-1972 *Golden Age of Capitalism* all countries experienced steady increases in Gross Domestic

Product. However, as Thomas points out, unemployment remained stubbornly high (Thomas; 77, 1988). To conclude that Lewis' *industrialization by invitation* had failed to create more jobs (its primary objective) ignores the huge disconnect between Lewis' theory and the actual practice of the regional governments who had supposedly implemented his recommendations. Caribbean governments of the period under consideration *did not* introduce the program of industrialization as spelt out by Lewis. Rather, selective segments of the program were introduced, while others were ignored. In particular, the *complementarity* between industry and agriculture (stressed by Lewis and inspired by Ricardo) was uniformly ignored. And his insight into the need for continued exports and imports was submerged in the more Prebisch et al approach which emphasized a *more import substituting industrialization*. What seemed to have been embraced by all was the notion of a bigger role for the state, but here again the emphasis on framework conditions was subsumed to the notion of the state as the primary vehicle for accumulation.

Lewis (1949) derived his rationale from the theory of David Ricardo and the empiricism of Colin Clark. Clark's work pointed to a positive correlation between the wealth of nations and shares of manufacturing in total output. (*ibid*; 77) Because agriculture could not provide the total number of required jobs, industry became pivotal in transforming the economy. Much like Ricardo before him, Lewis conceived of a *dynamic class of industrialists* who could utilize and control the surplus as well as play a significant part in political life. What results from the entire analysis list of recommended/approved *labour intensive industrial activities*. The absolute key in the program was the low wage

structure of the Caribbean countries. This was the inducement. Lower wages, imply higher profits. Last but not least, the problem of size and scale was addressed through the regional integration thrust of the industrialization program which was predominantly export – oriented.

A proper evaluation of the program rests in a review and evaluation of the Puerto Rican (PR) experience. And the first step in that process is the recognition that the model was not a static one but evolved throughout the period under review. This essay is concerned with its first phase. The empirical data shows that a number of small and medium sized labour intensive firms with an average investment of under US\$1 million per plant were induced to start up operations in PR. This first phase ended in the 1960s when changes in US federal minimum wage legislation were applied to PR. ¹⁴

In reviewing the period 1950-60 several significant factors emerge. First the Puerto Rican minimum wages increased from 42 cents to 94 cents per hour and so a relatively better off industrial proletariat emerged. But at the same time, colonial dependence on the US increased and domination was such that only 44% of the tangible and reproducible assets were owned by Puerto Rican nationals. The new business class which emerged replaced the rural oligarchs was no more nationalist in orientation and certainly no more concerned with the fate of the poor. The emergence of this class is linked to the demise of traditional skills, crafts and technical know how. And most importantly from our point of view unemployment throughout this period hovered around the 20% mark. Viewed in this manner although results can be said to be mixed, the invitation type industrialization of W.A Lewis failed to deliver the type of full employment which it was designed to create.

4.3 Dependency and Plantation

Emerging from the review in Section 3, it is clear that the cause(s) of poverty, stagnation and exploitation cannot be cast in purely racial terms. Green points to three main areas where specification of the cause(s) must be directed. In a very real manner, these three areas represent the major weakness in the dependent plantation approach. They are;

- a) The class question which is no longer identical to the question of phenol-typical race;
- b) The structural question relating to political economy i.e. the existence of a structure which requires the mass of the population to be oppressed, whatever their race;
- c) The related aspects of imperialism, neo imperialism and now globalization i.e. the insertion of the political economy into the international capitalist system which continually reproduces a dependent underdevelopment in the region; (*Green; 61*)

In the Plantation literature the influence of the radical political context of the 1960's and 1970's makes for an under nuanced analysis in today's globalized context. But what remains is a somewhat classic exposition of the ways in which global capitalism articulates class systems (both externally and internally).

ENDNOTES

¹ Notably Belize, Guyana and Suriname.

² For example when Ocampo and the new structuralist literature in general seeks to establish the centrality of the relationship between conditions which ignite and those which sustain growth, it harks back to Lewis' earlier discussion "*Momentum is probably the greatest single force in industrial expansion.*" (1949; 36) And again; "*Thus we come back again, as at every stage to momentum and to the great problem of getting it started.*" (*ibid; 42*)

³ A subject to which we shall return in later sections.

⁴ In making this point Lewis cautions the nationalists. He points out that many nationalist talk as if the industrialists were queuing up to come to the islands. The talk is more often than not about restrictions and the opposition to tax holidays etc. Lewis writes; “West Indian nationalism has an important and useful constructive part to play, in awakening the self-respect of the people, and in releasing their slumbering energies. But it will do a grave disservice if it refuses the face facts. (p 38)

⁵ Caricom.....

⁶ Norman Girvan who is to the mineral export sector in the Caribbean what Beckford is to the plantation economy, has further added to and up dated the staple export model by elaborating on modern mining enclaves that have been juxtaposed to the plantation sector and replicate its transnational-corporate dynamic in even more advanced form. (see C Green *Caribbean Dependency Theory of the 1970's* in *Meeks and Lindahl*; 50, 2001)

⁷ (RT Smith, “Social Stratification, Cultural Pluralism and Integration in West Indian Societies,” in S Lewis and TG Mathews (eds.), *Caribbean Integration (Rio Piedras, Puerto Rico, 1967)*, p 230. Smith attributes the general concept to Erving Goffman, *Asylums* (New York, 1961)

⁸ The development of a local manufacturing industry being reserved for the economies of the center.

⁹ For example, the high propensities to import from abroad.

¹⁰ Agglomeration effects may result but costs may be borne by other sectors if the protection is of intermediate and/or capital goods.

¹¹ This is a point taken up in my conclusion.

¹² This guarantees that they will for the most part be made up of self employed labour in which case income is determined by average rather than marginal productivities

¹³ Mostly in the provision of simple services but also in the production or marketing of some consumption goods.

¹⁴ The 1958 29% increase in maritime tariffs helped to erode PRs competitive advantage.

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